



Dorothy Coleman
Vice President
Tax & Domestic Economic Policy

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Dear Representative:

The National Association of Manufacturers (NAM)—the nation's largest industrial trade association—appreciates efforts to advance legislation to repeal onerous and unnecessary reporting requirements on businesses that were included in the recently enacted health care legislation. Unfortunately, the international tax increases also included in the Small Business Tax Relief Act of 2010 could outweigh the benefits of the positive change by imposing significant new costs on American businesses and threatening job creation, U.S. competitiveness and overall economic growth.

Recent economic and jobs reports confirm that our economy still is in recovery mode. NAM members believe strongly that the tax increases in the bill, which would impact manufacturers of all sizes and in all industry sectors, would do significant harm to our economy. American worldwide companies already struggle under a worldwide tax system and one of the highest corporate tax rates in the world. The proposed international tax increases will make it even more difficult for U.S. manufacturers to compete.

As the Small Business Tax Relief Act moves through the legislative process, the NAM strongly urges the House to advance legislation that repeals the unnecessary reporting requirement without imposing anti-growth, anti-competitiveness revenue raisers.

Anti-Growth Tax Increases

Many of the tax increase proposals, which are mischaracterized as tax loopholes, actually represent significant changes to pro-growth tax policy that has been supported by Congress and the Administration. In addition, Congressional tax writers have not held fair and adequate hearings on many of the proposed changes. In many cases taxpayers have relied on these long-standing tax provisions in structuring their businesses. Changing the rules midstream without

fair and adequate hearings will cost in terms of jobs, investment and manufacturers' ability to compete overseas.

The NAM has long maintained that changes to our international tax laws should be considered in the broader context of tax reform that makes the United States more competitive and not be used as "pay fors" for unrelated policy initiatives. Moreover, targeting some international tax law changes in advance of tax reform would make pro-growth, pro-competitiveness reform more difficult, if not impossible.

Business Tax Relief

In contrast, NAM strongly supports efforts to repeal a revenue raiser in the Patient Protection and Affordable Care Act that significantly—and unnecessarily--expands corporate reporting requirements. The NAM cited this provision as one of many objections to the health care bill during its consideration earlier in the Congress.

The new requirement, which would require businesses to file a Form 1099 for all purchases of property and services in excess of \$600 is extremely onerous—especially for small manufacturers. In addition to the new 1099 mandate, business will also be required to obtain a Taxpayer Identification Number (TIN) from each affected payee in order to avoid the requirement for backup withholding. Businesses providing services or selling property could also face backup withholding on payments made to them if there is a problem with the TIN.

Manufacturers support efforts to ensure tax compliance, however not at the expense and cost to manufacturers who are following the law. In addition to being an onerous new burden, it is extremely unclear how the Internal Revenue Service (IRS) could handle the volume of 1099s that will be generated under the new law, much less use them to ensure tax compliance.

Thank you in advance for considering our request. NAM members welcome efforts to repeal the onerous new reporting requirement. Nonetheless, this positive change in the tax code does not outweigh the costs imposed on manufacturers in this bill. More than 53 percent of all manufacturing workers are employed by companies with overseas operations. Manufacturers feel strongly that imposing tax increases on these businesses will jeopardize the jobs of American manufacturing employees and stifle our fragile economy.

Sincerely,

A handwritten signature in black ink that reads "Dorothy Coleman". The signature is written in a cursive, slightly slanted style.